

IMPACT OF COVID-19 ON INDIAN ECONOMY

Dr. S.K. KHATIK¹ & PRAFUL PATEL²

¹Professor and Ex Dean* Department of Commerce, Barkatullah University, Bhopal

²Research Scholar, Department of Commerce, Barkatullah University, Bhopal

ABSTRACT

As we know, COVID-19 is a pandemic disease which is having a significant impact on human life. This paper highlights the effects of corona virus on different sectors and GDP (Gross Domestic Product) of Indian economy. In India, there was a complete lockdown of 68 days in 4 phases due to Coronavirus, at that time Indian economy faces a huge decline in GDP for at least two quarters. No one ever thought that corona virus make such trouble to human life and affects economy of India at that level. Every day during the first 21 days of complete lockdown, this was declared the corona virus outbreak. The pandemic of COVID-19 hits the Indian economy at a time when the growth rate of GDP was already decreasing. The economy of India is characterized as a developing market economy, it is the world's fifth largest economy by nominal GDP and it is the world's sixth-largest manufacturer and employees over 57 million people. COVID-19 not only affects the Indian economy but also its impact was seen on the world economy. There was a largest global recession in history caused by pandemic disease of corona virus, at that time more than a third of the global population being placed on lockdown. There was an estimate that 30 million jobs were lost in the first quarter alone. After analysis of the study we found that COVID-19 has an intensive effect on various sectors and made human life difficult to survive. During corona virus period many difficulties of the livelihood faced by daily wagers or those persons who has not permanent jobs. Even those who were working in private sectors, there salary package was cut down and many of them retrenched from their jobs by the company. COVID-19 has major effect on sectors like manufacturing, services and agriculture and especially on educational institutions, banking sector, insurance, raw material, import/export, tourism, pharmaceutical, aviation, apparel & textile, real estate and automobile. Reserve Bank of India estimated that India's GDP for Q3 (Oct-Dec) of FY 2020-21 shows positive growth, this is a good sign for the nation and it will help to economic growth and development of the country. Many economies have started to recover faster than anticipated after reopening from their lockdowns. Indian Government has brought the vaccine of corona virus, some of the people are vaccinated but its effect is still awaited.

KEYWORDS: COVID-19, Gross Domestic Product, Lockdown & Pandemic

JEL CODE: E20, E24, E00, E01.

Received: Feb 10, 2021; **Accepted:** Mar 01, 2021; **Published:** Jul 03, 2021; **Paper Id.:** IJEEFUSDEC20215

INTRODUCTION

Impact of COVID-19 on Indian Economy is very disturbing. The pandemic of COVID-19 hits the Indian economy at a time when the growth rate of GDP (Gross Domestic Product) was already decreasing. No one ever thought that corona virus make such trouble to human life and affects economy of India and other nations at that level. In India, there was a complete lockdown of 68 days in 4 phases due to Coronavirus, at that time Indian economy faces a huge decline in GDP for at least two quarters, its impact was mainly seen on production, consumption, employment, investment, savings, services and price level changes which are the biggest component of GDP. Gross Domestic Product means total value of all the goods and services produced in a country in one year.

The Indian economy is a mixed economy which consist three important sectors:

- Agriculture sector.
- Industrial sector.
- Tertiary (Service) sector.

These sectors are also top performing sectors of the Indian economy. In 2019, almost half of India's GDP was generated by the service sector. These sector's aggregate contribution stands as GDP of India. Q1 (April-June) and Q2 (July-Sept) of financial year 2020-21 shows contraction in GDP due to lockdown which affects Indian economy at serious level.

Firstly, we have to know, what is COVID-19? For better understanding of its impact on Indian economy. COVID-19 is a pandemic disease which is having significant impact on human life. This disease is caused by newly discovered corona virus and it is an infectious disease. Rapidly increasing in human being is an important feature of this disease thus it is also known as human transmission disease.

The Coronavirus transmitted from one person to another through droplets of saliva or discharge from the nose when an infected person coughs or sneezes.

The following are the symptoms of Coronavirus: Serious symptoms:

- Breathing difficulties,
- Chest Pain,
- Loss of speech or movement.

Most common symptoms:

- Dry Cough,
- Tiredness,
- Fever.

Less common symptoms:

- Aches and Pain,
- Rash on skin,
- Headache,
- Diarrhea,
- Sore throat.

The first human case of COVID-19, the disease caused by the novel corona virus causing COVID-19, were first reported by officials in Wuhan city, China, in December 2019. The first case of COVID-19 in India, which originated from China, was reported on 30 January 2020. On 24 March 2020, the government of India ordered a nationwide lockdown for

21 days, at that time the number of confirmed positive corona virus cases in India was approximately 500. At the time of lockdown, there was a complete shutdown of all the economic activities and production resulted huge decline in India's GDP.

In India, the lockdown was implemented in 4 phases:

- In phase 1, from 25 March 2020 to 14 April 2020 (21 days)
- In phase 2, from 15 April 2020 to 3 May 2020 (19 days)
- In phase 3, from 4 May 2020 to 17 May 2020 (14 Days)
- In phase 4, from 18 May 2020 to 31 May 2020 (14days).

In lockdown,

- All services and shops are closed except pharmacies, hospitals, banks, grocery shops and other essential services.
- Only work from home allowed because closure of commercial and private establishments.
- All educational, training, research institutions are suspended in lockdown.
- All places of worship are closed.
- All non-essential public and private transports are suspended.
- All social, political, sports, entertainment, academic, cultural, religious activities are prohibited.

The lockdown in India due to Coronavirus disturb the economy of India at very serious level. Number of deaths increasing day by day, movement of human life has been stopped. Every day during the first 21days of complete lockdown, this was declared the coronavirus outbreak.

JUSTIFICATION OF THE STUDY

Economy is playing a significant role to measure growth and development of a nation. It comprises various sectors like agriculture, Industrial and services, these sectors have been continuously contributing to our GDP and growth. Coronavirus-induced lockdown had significant impact on all those activities which are related to GDP's contributing sectors. GDP is the significant parameter to measure the economic growth and development of a nation, during the period of March-June 2020 there was fully lockdown of 68 days, due to pandemic disease of COVID 19, resulted in shutdown of all the activities which are related to production and services. In this study we want to find out the impact on GDP and effect on various sectors of Indian economy. Thus, we have selected this topic for the study.

OBJECTIVE OF THE STUDY

The study has the following objectives: -

- To analyze the impact of COVID-19 on various sectors of Indian economy.
- To examine impact of COVID-19 on GDP of India.
- To give findings and suggestions on the basis of result of the study.

RESEARCH DESIGN

Research design is a blueprint and plan of the proposed research work which shows how to precede the research work by the researcher. We have taken the secondary data for this study. The sources of secondary data are:

- Annual Reports,
- Monthly economic review reports,
- Statistical Reports,
- Government reports,
- Any other publishes document and Internet.

The objectives of the study which were taken for study have been also analyzed.

LIMITATIONS OF THE STUDY

The study has the following limitations:

- Non availability of sufficient data and literature.
- This study has been covered only COVID period.
- As per the requirement of the study grouped data are sub-grouped.
- The study is based on secondary data.

ANALYSIS OF IMPACT OF COVID-19 ON INDIAN ECONOMY

Indian economy is termed as developing economy of the world. Some features like low per capita income, higher population, below poverty line, poor infrastructure, lower rate of capital formation and agriculture-based economy, tagged it as a developing economy in the world.

The economy of India is characterized as a developing market economy. It is the world's fifth largest economy by nominal GDP and third largest by purchasing power parity (PPP). India is the world's sixth-largest manufacturer, representing 3% of global manufacturing output and employees over 57 million people. India's ten largest trading partners are USA, China, UAE, Saudi Arabia, Hong Kong, Iraq, Singapore, Germany, Switzerland and South Korea.

Sectorial Impact

Imports: India depends on China for the following goods:

- India import 45% of the demand of electronic goods from China,
- 1/3 of machinery imports from China,
- 2/5 Organic chemical,
- 25% of automobile parts and fertilizers,
- Around 65 to 70% pharmaceutical ingredient,

- India import 90% certain mobile phones from china.

Exports: The following are the Indian exports to China:

- Mineral fuels,
- Organic chemical,
- Fish product,
- Cotton,
- Ores.

Indian companies are located in eastern part of China. In China about 72% Indian companies are located in cities like Shanghai, Beijing, Guangdong province, Jiangsu and Shandong. These industries are manufacturing, industrial manufacturing, manufacturing services, IT and BPO, logistics, chemical, airlines and tourism. Due to interruption in supply, prices of these goods increased by 10%.

Sector- wise impact on Indian industries

Agriculture

In the agricultural production good harvest depend on quality of seeds, which were delivered to farmers by private sector and public sector. Preparation of these seeds happens between March-May, but corona virus impacts its preparation. India needs about 250 Lakh quintals of seeds for Kharif season. There was a decreasing result of output of the Kharif crops due to unavailability of good seeds and its impact was seen on agriculture sector.

Tourism Industry

In India the tourism industry has been massively affected by the spread of COVID-19, as many countries have introduced travel restriction in an attempt to contain its spread. 38 lakhs people lost their job at that time and also large amount of income and revenue lost by government. Experts believe that tourism industry likely to take a massive hit and it could end up crippling the industry for the foreseeable future.

Pharmaceutical Sector

India's pharmaceutical industries depend on China and near about 70% Active Pharmaceutical Ingredients (APIs) are imported from China but this over dependence on China has increases the threat to the nation's health security. Coronavirus impacts all the import of India from China, resulted the prices of medicine has been increased about 10%.

Apparel and Textile

India is a developing country and it has a large amount of apparel and textile industries. This sector has the second highest employment generation after agriculture sector and this sector was also affected by COVID-19. In this sector 45 Lakhs employees works directly, and 60 Lakhs employees work indirectly. 4.5 Lakhs people lost their job in this sector and also large amount of income and revenue lost by government.

Real estate / Building and Construction

The real estate sector is one of the largest employment generators in the country and has a multiple effect on around 250

allied industries. The sector is expected to contribute around 13% to the country's GDP by 2025. On the other hand, the residential real estate sector has witnessed poor demand and lower absorption in the past 4-year reason to the economic slowdown. 14 Lakhs people lost their jobs. NBFC crisis affects buyer's sentiments and developer defaults; this has led to higher unsold inventory across the major cities in India.

Aviation

COVID-19 has massive effect on aviation industries and government of India has taken a decision of suspend tourist visa and flights are said to working under pressure, nearly 600 International flights were cancelled from India for COVID period and around 90 domestics flights have been cancelled. 60 thousand people lost their job at that period and also large amount of income and revenue lost by government.

Raw material and spare parts

India and China are third largest export partner for export of raw materials like organic chemical, minerals, fuels, cotton and fish products but due to COVID-19 all the exports are affected, this results in decline of India's GDP and economy.

Automobile

The COVID-19 lockdown has had a multiplier effect – the industry has almost been at a complete standstill since March 24. Shrinkage in consumer demand due to the lockdown has significantly affected auto manufacturers' revenue and cash flows. In this sector, 2.30 Lakhs automobile manufacturer/employees and 2 Lakhs auto dealers lost their jobs and also large amount of income and revenue lost by government.

Table 1: Quarterly GDP of the financial year 2019-20 and 2020-21

Year	Quarter	GDP (%)
2019-20 (Pre COVID)	Q3 (Oct-Dec)	4.7
	Q4 (Jan-Mar)	3.1
2020-21 (Post COVID)	Q1 (April-June)	(-)23.9
	Q2 (July-Sept)	(-) 7.5
	Q3 (Oct-Dec)	0.4

Source: National Statistical Office (NSO), MoSPI

Interpretation: (Table 1)

India's GDP for the Q3 (Oct-Dec) of the financial year 2019-20 which is a pre COVID period is 4.7 %. The GDP growth for Q4 (Jan-Mar) is 3.1% as compare to 4.7% in Q3 (Oct- Dec). The contraction of 23.9 % in GDP for Q1 (April-June) of financial year 2020-21 which is a post COVID period. India's GDP for Q2 (July-Sept) is contracts to 7.5%. In Q3 of financial year 2020-21 growth of GDP is positive 0.4

Table 2: Quarterly GVA (Gross Value Added) of all sectors for the financial year 2019-20 and 2020-21

Year	Quarter	Agriculture	Industry	Service
2019-20 (Pre COVID)	Q3 (Oct-Dec)	3.5%	0.1%	7.4%
	Q4 (Jan-Mar)	3.7%	1.8%	7.0%
2020-21 (Post COVID)	Q1 (April-June)	3.4%	(-)38.1%	(-)20.6%
	Q2 (July-Sept)	3.4%	(-) 2.1%	(-)11.4%

Source: Ministry of Statistics and Programme Implementation (MoSPI)

Interpretation: (Table2)

Gross Value Added (GVA) growth rates of agriculture, allied industries and service sectors are 3.5%, 0.1% and 7.4% respectively for the Q3 (Oct-Dec) of the pre COVID financial year 2019- 20. GVA growth rates for Q4 (Jan-Mar) are agriculture 3.7 %, Industry 1.8% and service sector 7.0%. Q1 (April-June) of the financial year 2020-21 which is a post COVID period, in this all sectors shows the negative growth except agriculture sector (3.4%). In Q2 (July-Sept) there is a little bit of recovery by industry and service sector, but the growth is negative, which is -2.1% for industry and -11.4% for service sector.

IMPACT OF COVID-19 ON WORLD ECONOMY

COVID-19 not only affects the Indian economy but also its impact was seen on the world economy. There was a largest global recession in history caused by pandemic disease of COVID-19, at that time more than a third of the global population being placed on lockdown. There was an estimate that 30 million jobs were lost in the first quarter alone.

With the scaling back of lockdowns in May and June, which helped to break the chain of the spread of corona virus, most of the nations recovered from their troughs, contractions of quarterly GDP growth amid lifting of the containment measures and pick up in business and consumer confidence.

Interpretation: (Table3)

India's GDP growth shows a V-shaped recovery in Q2 of financial year 2020-21 and RBI estimated that in Q3 of FY 2020-21 shows positive growth, suggesting that the resumption of economic activity has been gathering pace. India's GDP growth shows a contraction of (-) 7.5 percent year over year in Q2, a sharp recovery from the lockdown-induced decline of (-) 23.9 percent in Q1. China is the only nation which shows positive growth in both the quarters. Advanced economies like France, Italy, Spain, UK and USA shows contraction in quarterly growth

Table 3: GDP Rates of Different Nations for the Year 2019 and Q1 and Q2 of FY 2020-21
G-20 Advanced Economies(in %)

Country	2019	Q1 (April-June) 2020-21	Q2 (July-Sept) 2020-21
Canada	1.7	-12.5	-5.2
France	1.5	-18.9	-3.9
Germany	0.6	-11.2	-4.0
Italy	0.3	-18.0	-5.0
Japan	0.7	-10.3	-5.9
Spain	2.0	-21.5	-8.7
United Kingdom (UK)	1.5	-21.5	-9.6
United States (US)	2.2	-9.0	-2.9

Source: OECD, MoSPI (For India) and World Bank National Accounts Data

G-20 Emerging Markets

Country	2019	Q1 (April-June) 2020-21	Q2 (July-Sept) 2020-21	Q3 (Oct-Dec) 2020-21
Brazil	1.1	-11.4	-9.7	-
China	6.1	3.2	4.9	6.5
India	4.2	-23.9	-7.5	0.4
Indonesia	5.0	-5.4	-3.6	-
Mexico	-0.1	-18.7	-8.6	-
Russia	1.3	-5.6	-	-
South Africa	0.2	-17.2	-	-
Turkey	0.9	-8.5	-5.4	-

FINDINGS

After analysis of the study we found that COVID-19 has an intensive effect on various sectors and made human life difficult to survive. During COVID-19 period many difficulties of the livelihood faced by daily wagers or those persons who has not permanent jobs. Even those who were working in private sectors, there salary package was cut down and many of them retrenched from their jobs by the company.

COVID-19 has major effect on sectors like manufacturing, services and agriculture and especially on educational institutions, banking sector, insurance, raw material, import/export, tourism, pharmaceutical, aviation, apparel & textile, real estate and automobile.

During COVID-19 there was a total shutdown for 2 months, this had a massive hit on agriculture, industrial and service sectors, contribution of industrial and service sectors is negative and agriculture sector shows decreasing contribution in GDP. Agriculture sector is the only sector that has been positive and decreasing contribution to the overall Gross Value Added (GVA) in both the quarters of 2020-21. This indicates that agricultural activities for Rabi harvesting and kharif sowing were slightly affected by the COVID-induced lockdown.

Due to lockdown all the production process and movement of human life had been stopped this result as mass unemployment in all the sectors and drastically change in capital formation, income and revenue. Its impact was mostly on weaker section of the society, daily wagers, social workers, vendors and hawkers.

We have seen that the entire world economy has been negative impact on their GDP except China. It was surprised that entire world economy shows negative growth, but China continues to be the only economy in the world which shows positive growth and comparing to previous quarter's GDP it has slightly decreased.

The effect of COVID-19 was not only up to economic, it has intensive effect on human life also. The lakhs of causality were seen during COVID-19 and death rate continuously increasing not in India but in the entire world. In India, there are 11 Million cases on which

10.7 Million People recovered and 156 thousand deaths recorded. In the month of June when lockdown was removed, all the sectors are slowly recovering and India's GDP is also recovering. RBI estimated that India's GDP for Q3 (Oct-Dec) of FY 2020-21 is 0.1 % but actual growth is 0.4%, this is a good sign for the nation and it will help to economic growth and development of the country.

In the best of that many countries searching the vaccine of COVID-19. Many economies have started to recover faster than anticipated after reopening from their lockdowns. Indian Government has brought the vaccine of corona virus, some of the people are vaccinated but its effect is still awaited.

SUGGESTIONS

- Government gives financial assistance to daily wagers, hawkers, social workers and weaker section of the society.
- Government has to invest in sustainable infrastructure, because infrastructure investments are an effective way to boost economic activities and create jobs.

- Apart from these steps, government of all the nations should take major steps to control the spread of corona virus so that economy will come down on track.
- To stop spread of corona virus we will need to change almost everything we do, how we work, exercise, socialize shop, manage our health, and educate our kid

REFERENCES

1. *Agarwal A N (2019) Indian Economy, Himalaya Publications, Nagpur.*
2. *Mishra and Puri (2018) Indian Economy, Himalaya Publications, Nagpur.*
3. *Monthly economic reports published by Department of Economic Affairs, New Delhi.*
4. *Ministry of Statistics and Programme Implementation (MoSPI), New Delhi.*
5. *Reserve Bank of India, Mumbai.*
6. *World Bank, Washington D.C., United States.*
7. *World Health Organization (WHO), Geneva, Switzerland.*
8. *Wikipedia*

